

General information regarding the sale of containers and packaging materials may be found at 86 Ill. Adm. Code 130.2070. (This is a GIL.)

July 15, 2005

Dear Xxxxx:

This letter is in response to your letter dated October 27, 2004, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

Our company is requesting a letter ruling on the issue mentioned below. Our company's main business is the manufacturing and assembly of automotive lighting. We are requesting a letter ruling on the issue of returnable packaging used between our customers and us. Please refer to the facts listed below.

Our customer authorizes us to purchase the returnable packaging from our vendor. We pay our vendor for the packaging. We have 2 scenarios that our customers follow for reimbursement. 1) The customer reimburses us for the packaging through the piece price of the part being shipped or 2) the customer pays us in a lump sum for the packaging needed. In both cases, the payment does reimburse us for the cost we incurred.

Technically, our customer does own the packaging because they have paid for it, but it is shipped back and forth between them and us with manufactured parts in it. When the packaging is not in transit, it is stored at our facility.

Thank you for your prompt response and assistance concerning my sales tax issues. If you should have other questions, I can be reached at #.

DEPARTMENT'S RESPONSE:

The Department is without sufficient information to provide you with a specific answer to your request. Your letter indicates a retail sale has occurred between your company and its vendor for the returnable packaging materials, but then refers to a reimbursement from your customer, with the customer “technically” owning the returnable packaging material. In order to clearly understand the nature of these transactions, we would need to examine any contracts between the parties along with other documentation, such as the bills of sale. This would aid the Department in determining the actual ownership of the packaging materials.

For general information regarding packaging materials, please see 86 Ill. Adm. Code 130.2070. This regulation discusses the sale of containers and packaging materials. You may find this regulation on the Department’s internet website under the heading of “Legal Research.” In addition, you may find other information in the form of general information letters which have discussed this regulation.

I hope this information is helpful. If you require additional information, please visit our website at www.ILTAX.com or contact the Department’s Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Edwin E. Boggess
Associate Counsel

EEB:msk